Fort Dodge CSO/Food Service

2002-2003
CEO 670
SECTOR 1

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BEFORE THE FACT FINDER

In the Matter of the Request for Mediation filed by

FORT DODGE FOOD SERVICE EMPLOYEES ASSOCIATION

involving certain employees in the employ of

FORT DODGE COMMUNITY SCHOOL DISTRICT

Appearances:

David A. Grosland, Business Representative, appearing on behalf of the Association.

David A. Haggard, Superintendent, appearing on behalf of the Employer.

FACT FINDING AWARD

Fort Dodge Food Service Employees Association (herein referred to as the "Association;" and Fort Dodge Community School District (herein referred to as the "Employer"); having jointly selected the Undersigned from a panel of Fact Finders provided by the Iowa Public Employment Relations Board to hear and give recommendations in the dispute specified below; and the parties having entered into a independent impasse agreement; and the Undersigned having held a hearing in Fort Dodge, Iowa, on June 10, 2003; and each party having made oral argument, and the matter having been heard pursuant to the parties independent impasse procedure.

ISSUES

This is the parties' first collective bargaining agreement. The parties final offers form the issues in dispute. I state them as follows:

1. Article 12, Insurance. The Association proposes to change the current health insurance plan from the current PPO 200 to the PPO 250. The Employer proposes to change the current health plan to a PPO 500.

2. Article 15, Wages. The Association proposes a $.75 across-the-board wage increase beginning July 1 of the contract year. The Employer proposes a wage freeze.

BACKGROUND

This is a fact finding pursuant to the parties' independent impasse procedure. The procedure essentially incorporates all of the impasse procedures of Ch. 20, Iowa Code. Under the parties' procedure, the Fact Finder may select the final offer of either party on each impasse item or compromise between the two final offers. The parties agreed that the Fact Finder should select only one party's offer or the other on the insurance issue, but have agreed that the Fact Finder may compromise between the two offers with respect to the wage issue.

The Iowa Code does not specify the standards by which Fact Finders should decide their cases. Section 20.22, Iowa Code, provides the standards by which arbitrators must decide their cases, as follows:

"9. The panel of arbitrators shall consider in addition to any other relevant factors, the following factors:

a. Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.

b. Comparisons of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to area and classifications involved.

c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.

d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations."

I adopt the statutory standards for the decision herein.

The Employer has six bargaining units. One is aprofessional unit represented by the ISEA. A second consists of educational assistant unit and is also represented by the ISEA. The third is a separate unit of maintenance and custodial employees. The fourth is a secretarial and clerical unit which is also represented by the ISEA. There is a unit of bus drivers, but that unit does not receive any health insurance benefits. This unit includes 49 employees, many of whom are not full-time. Unit employees are non-professionals providing food service. Employees in this unit are the lowest paid employees of the school district.

The Fort Dodge area is having economic difficulty. In recent years, many larger employers in the area have relocated or gone bankrupt. This has caused the local economy to stagnate and increased unemployment. The per capita income in the Fort Dodge area is substantially below the state average. Of the 10 above/10 below school districts, Fort Dodge is fifth from the top in percentage of students eligible for free or reduced price meals. 35.91% of students here are eligible for free or reduced price lunches, although many do not request the benefit.[1]

The Fort Dodge Community School District is in a period of significantly declining enrollment. The enrollment for this year declined by 119 students to 4,223 students. It is expected to have relatively similar declines in the next two school years.

Although the Employer's general fund is not directly implicated in this negotiation process, the financial condition of the Employer has substantially eroded over the years to the point that the Employer is in serious financial trouble. For example, the Employer's unspent balance has declined from a peak of $1,176,627 within the last ten years to $383,765 for the current year. It is expected to be less than $100,000. The Employer does not meet the minimal financial levels defined by the ISCAP program. It is in the process of attempting to meet those goals.

Although the state allowable growth for FY 04 is 2%, the Employer will receive no new money. This is true because of its declining enrollment.

POSITIONS OF THE PARTIES

The Association takes the position that its offer is appropriate. First, it notes that in many situations employees bargain for wage increases and, thus, ignore the increased costs of the health insurance benefits they have already won in past negotiations. This is not the position of the Association. The Association notes that all of the representatives of bargaining units eligible to receive health insurance. They agreed to propose moving to the PPO 250 health plan which includes a significant <u>reduction</u> of benefits to help offset the 30% increase in health insurance premiums. It argues that this proposal is a reasonable compromise in maintaining these benefits while offsetting as much cost as is practical.

It also argues that its proposal is necessary for the uniformity of benefits. The arbitrator in the teachers' unit awarded the PPO 250 plan and all, but one, of the fact finders who have rendered awards for negotiations with respect to other units for FY04 have adopted the same plan. The remaining award was based upon erroneous factual information which made the benefits of the Employer's proposal look better than they were. It argues that for many years all employees of the Employer were on the same plan. Although the teachers have had a different plan for the recent years, all other units have been on the PPO 200 plan. It notes that neutrals who have looked at the issue have concluded that uniformity of benefits is in the interests of both parties. It notes that the Employer's argument that uniformity is not important is contradicted by its actions in seeking the uniform adoption of the PPO 500 in all of its bargaining units.

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[1] The costs for the free or reduced fee lunches is born by federal and state programs.

The Association also contends that its proposal is necessary to protect employees in this bargaining unit. It notes that these are the employees who are the least able to afford the increases in out-of-pocket expenses which would be created.

The Association emphasizes that the difference between the two parties' final offers with respect to health insurance is only $5,842. The major difference is between the parties' final offers with respect to wages. The total is $45,920, which is a small amount when considered in terms of the Employer's total budget. However, the health insurance deductibles can cost up to 5.7% of the employee's income, even 3% for the single deductible. The Association's proposal does not change the relative wage position of the unit among comparable units all that much. The net cost of the Association's proposal affects the bargaining unit more than it affects the district because the Association itself is proposing a reduction in health insurance premiums.

The Association also notes that the wage rates in this unit are among the lowest in any of the comparison groups (31 largest or 10/10). Over the last nine years, the unit has totaled only $11.57 in hours increases. In its view, this unit is in a "catch-up" position and its offer is appropriate to provides some of the needed "catch-up" pay increase.

It argues that the Employer has the ability to meet its offer. Unit wages are funded out of the nutrition budget and not the general fund. The Employer has had substantially increasing ending balances in this fund over the last few years. It argues that percentage total package increase should not be used as a measure of making the decision in this case because unit employees' wages are so low, the health insurance increase is disproportionate. Further, it notes that the Employer has eliminated health insurance for two positions in the unit for FY04. The savings substantially offset the difference in health insurance between the parties.

The Employer takes the position that its offer is preferable. It relies primarily on the fact that the total package increase it proposes is consistent with those of settlements involving units of comparable employees among comparable employers. The Employer has offered comparisons to similar units in the 31 largest school districts in Iowa and, also, in the ten larger, ten smaller group. It primarily relies upon total package comparisons to similar units in the 10/10 group.

The Employer acknowledges that this unit is funded through the nutrition program rather than the general fund. It does not deny that it has the ability to meet the costs of the Association's proposal, particularly because the amounts are small in comparison to its overall budget. Nonetheless, it stresses that the Fort Dodge area economy is suffering from the loss of many larger employers. It notes its enrollment is declining and it has received no new money. Under these circumstances, it sees no reason why this unit should be treated differently than other units who must take smaller settlements under these tight economic circumstances. The Employer notes that it has a contract with a private management group to supervise its nutrition program. The Employer relies upon the savings in the nutrition program to help fund the general fund programs. It states that the Association's argument that its proposal is small in comparison to the Employer's entire budget is without merit. The increase proposed by the Association is 4.2% of the total food service budget

In its view, the settlement proposed by the Association is excessive by any measure.

The Employer argues that health insurance is a major benefit to those in the unit who qualify for the health insurance benefit. Nonetheless, it has been forced to deal with a 30% increase in the cost of the benefit. It notes that among comparable employers in the 10/10 group, the maximum contribution made by the Employer to the health insurance premium here is the second highest of all employers in that group. It urges that its proposal is necessary to bring the costs of that benefit into line so that in the future it might offer better wages.

The Employer argues that uniformity of benefits across units is not an important factor and notes that over the last few years the teachers have had a different health plan than all other units which were eligible for health insurance.

The Employer concedes that wages in this unit are among the lowest of those paid in the 10/10 group. However, taken with the generous health insurance benefit, the wages here are adequate to attract employees to those jobs with the benefit. While it concedes it has difficulty finding appropriate candidates for the other jobs, it believes current wages are adequate to attract people in the stagnant economy. In any event, it argues that the past wage increases in this unit have not exceeded $.22. No settlement in any comparable employer provided for $.75 per hour.

The Employer rejects the Association's contentions that the external comparison figures are not reliable. The Association presented no facts to support that position.

HEALTH INSURANCE

The Employer has historically paid the full single premium and one-third of the family premium. Neither party proposes to make a change in the contribution ratios.

The following is a summary of the primary differences between the current health plan and the plan proposed by each of the parties. Both parties' proposals are an attempt to deal with the 30% increase in health insurance costs by increasing deductibles and co-pays.

	PPO 200	PPO 250	PPO 500
Deductible			
Per person	200	250	500
Per family	400	500	1000
Out of Pocket Max			
Per person	600	750	1000
Per family	800	1000	2000
Physician Visit			
PPO	90%	90%	90%

Non-PPO	80%*	80%*	80%*
PPO Inpatient		90%*	90%*
PPO Outpatient		90%*	90%*
Inpatient		80%*	80%*
Outpatient		80%*	80%*
Prescription Drug			
Rx	5/10	10/20	10/20
MOMD (90da.)	7.50/15	15/30	15/30
Rx Max.	200	200	200
2003-4 premium			
family	683.99	670.32	654.17
single	467.19	458.13	442.62

Note: all figures in dollars unless otherwise shown
* Employee must pay deductible first, then insurer pays 80% of excess over deductible.

Employees who work 30 or more hours per week are eligible for health insurance. In 2002-3, of the 48 employees in the unit, 32 were eligible to receive health insurance. The remainder did not work sufficient hours to qualify. Of 32, 4 employees received family plan and 26 employees received the single plan. 2 declined coverage.

The FY cost of the PPO 200 plan in this unit was $141,348.72. The FY cost of the Association's proposal is a $34,303.20 increase. The Employer's health insurance proposal is a $28,461.20 increase. It appears that this costing is on a roll forward method (does not take into account the change in hours for two employees).

Both parties acknowledge that the Employer is faced with skyrocketing costs for its health insurance. The greater than 30% increase in the PPO 200 plan is excessive. Both parties have attempted to deal with this issue by shifting more cost of the insurance to the individual employees. The Employer has sought a greater cost shift on the basis that its cost of insurance is substantially higher here than elsewhere. The parties have used two comparison groups, the 31 larger school districts and the 10 larger/10 smaller. The usefulness of the 31 largest group is limited because Fort Dodge is among the smaller in that grouping. Accordingly, I have relied upon the 10/10 comparison. In this group, Fort Dodge has the fourth highest maximum contribution to health insurance for last year($368.79), behind Ames ($378.87), Clinton ($444.52), and Urbandale ($374.66). Five others are within $32.00 per month less. The Employer is correctly concerned with both its high contribution and spiraling costs.

The Association's approach has been a responsible and reasonable approach to these costs. It has accepted the concept of cost shifting and sought out appropriate changes in the health insurance to accomplish this goal. The record does not fully explain why the parties' premium costs have spiraled. The original premium increase was higher, but the parties' successfully obtained a lower increase. It appears that the greater sum was related to one-time costs among beneficiaries at Fort Dodge. However, the parties have not explained the extent to which the 30% increase is a product of generally rising health costs, aging in the unit, or unusual claims situations. Accordingly, the evidence is insufficient to conclude that the PPO 500 plan is necessary because of factors peculiar to Fort Dodge.

Under the circumstances faced by the parties, it is unrealistic to assume that the Employer could reasonably adjust its maximum contribution in one year. Neither party has assessed the extent to which its proposed change in policy terms could affect the rate of growth. Thus, the evidence is insufficient to conclude whether the greater deductibles proposed by the Employer are necessary to reduce the rate of growth of premiums below the rate of growth of the former PPO 200 policy. Under these facts, the better view is to give the parties some experience under the Association's proposed change to determine if the change would tend to narrow the difference between the Employer's maximum contribution and that of comparable districts.

One of the other "relevant factors" within the meaning of Section 20.22, Iowa Code, is internal comparisons. This is a factor which the Iowa Statute does not expressly identify. Neutrals often give weight to internal established benefit patterns because uniformity of benefits ordinarily eliminates unnecessary administration costs for the parties. This is particularly true when the parties themselves have a history of uniform benefits. The Employer and its unions had a long standing history of uniformity of the health benefit until recent years when the non-professional units accepted reduced benefits in exchange for a savings-splitting wage increase. The teachers did not accept that approach. The teachers unit was awarded the PPO 250 plan for FY04 and it is likely that other units will follow suit. This factor is entitled to significant, but not determinative weight in this proceeding.

Although the Employer argued that the benefit levels it was proposing were as good as private employers in the local area, it produced no evidence supporting that conclusion. Similarly, neither party offered direct comparisons of benefit levels to similar employees at comparable employers in the 10/10 group. Accordingly, the evidence is insufficient to conclude whether the benefit level proposed by either party is comparable.

The Association very correctly argues that it is inappropriate to establish a higher deductible and higher co-pays in this unit than the PPO 250. The Employer admitted that the health insurance plan is a major attraction of candidates into these otherwise low paying jobs. It is in the public interest for the Employer to attract and retain qualified employees in these positions. The Association is correct that the increased deductibles and co-pays between the two offers is likely to unfairly affect unit employees and is likely to adversely affect employee morale when higher paid employees have better benefits. 20% of this unit has less than two years of service. Over a third has less than five years. Accordingly, the turnover in this unit is already high. The public interest supports the position of the Association. I also agree with the parties, that health insurance should be given emphasis in the determination of the allocation of the total package of wages and benefit increases to be offered for FY04.

The Employer is operating in the context of a depressed local economy. It also is faced with declining enrollment and has received no new money. The financial position of the Employer's general fund is poor. However, the nutrition program is not part of the general fund. On the contrary, the Employer has undertaken to administer the nutrition program in a business-like and cost effective manner. The result is that the Employer has had ever-increasing ending balances in the nutrition program and is using "profits" from the nutrition program to subsidize its general fund. The Employer has the financial ability to meet the entire final offer of the Association, although doing so may not be practical. The annual saving between the Employer proposal and the Union's for health insurance is $5,842, without considering the reduced hour positions. This difference represents about 1% total package increase. The Employer has reduced the hours for the 2003-4 year of two positions which formerly qualified for health insurance. They will no longer qualify for health insurance. The cost of health insurance benefits for two employees taking the single PPO 500 plan would be $10,662.88. The Employer has the ability to meet the offer of the Association with respect to health insurance. Further, fairness would dictate that at least some of the cost savings should be shared with the unit in this situation.

Finally, the Employer has heavily relied upon comparisons to total package increases among comparable units elsewhere to justify its position with respect to health insurance. Total package increase comparisons are ordinarily a useful tool entitled to heavy weight in determining an appropriate total increase in a unit. There are times, however, when that measure can be statistically skewed by factors peculiar to a specific bargaining unit. The evidence raises serious questions as to whether that has occurred here. First, the wages in this unit are inordinately low, thus making large increases in benefits a larger share of the overall settlement. Second, the evidence indicates that this Employer has long used health insurance to attract candidates to these position and to stay in these positions. There may be significant differences between this employer and others as to the number of employees in food service who qualify for the benefit. The parties' own history in establishing and maintaining the health insurance benefits outweighs total package comparisons in these negotiations. The health insurance increase this year is inordinate, but it remains to be seen whether the Association's responsible proposal will ameliorate the problems significantly. Maintaining the benefit in this context thus outweighs total package comparisons as to health insurance.

WAGES

Both parties relied upon wage comparisons to support their positions. The parties agree that unit employees' wages are well below average. In the Employer's 10/10 group, Fort Dodge's minimum rate is second lowest. It is $6.54, $.21 below the next lowest and $1.01 per hour below the next lowest after that. It is $1.86 per hour below average. Similarly, the average wage is third lowest ($7.94 per hour), it is $1.16 cents below the average. The maximum wages is sixth lowest and $.61 per hour below the average. This figure is somewhat misleading, in that the agreement has longevity of $.05 per hour after five years with an increase of the same amount every five years, up to a maximum of $.30 per hour longevity after 30 years.

The Employer is correct in its assertion that although this unit has low pay, substantial "catch up" is not appropriate at this time. However, the record does not support denying unit employees a wage increase entirely. The Employer has acknowledged difficulty in attracting high quality applicants for positions without health insurance. Accordingly, the public interest supports granting a wage increase to maintain its ability to attract employees to these positions. The parties' own history shows that the parties have never agreed to a wage freeze in this unit even when the Employer has had financial difficulty with the nutrition budget. Prior settlements have been generally consistent between \$.15 and \$.20 per hour with some additional raise as a quid pro quo for health insurance changes.

I am satisfied that a wage increase of \$.20 per hour to all unit employees is appropriate. This results in a total package of about 8%. The available evidence indicates that the health insurance skews the total package figures by about 1.5%. Even allowing for skewing the settlement would exceed the average settlement in the 10/10 group by almost 2.6% and would be the second highest settlement in the comparability group. The factors discussed above outweigh the total package comparison.

RECOMMENDATIONS

Based upon the foregoing, the Fact Finder recommends:

1. That the Association's proposal for the PPO250 be adopted

2. That the parties' agreement include a \$.20 per hour across-the-board increase.

Dated at Milwaukee, Wisconsin, this 22nd day of June, 2003.

Stanley H. Michelstetter II, Fact Finder